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Re: Modernization of Requirements for Account Transfers and Bulk Account Movements (IDPC Rule 4800, MFD Rule 2.12 and CIRO Rule 4800) — Republication for Comment

Kenmar Associates commented on the initial proposals in October 2025. We appreciate the opportunity to comment on the amended version.

Kenmar Associates is an Ontario-based privately-funded organization focused on investor education via articles hosted at www.canadianfundwatch.com. Kenmar also publishes the Fund OBSERVER on a monthly basis discussing consumer protection issues primarily for retail investors. Kenmar is actively engaged with regulatory affairs. An affiliate, Kenmar Portfolio Analytics, assists, on a no-charge basis, abused consumers and/or their counsel in filing investor complaints and restitution claims.

Kenmar have read the submission filed by Mr. Naglie on August 3, 2026. This letter concurs with that submission and aims to (1) strengthen the powerful case it makes, (2) to add several matters we believe warrant CIRO's attention, and (3) to return to a recommendation we made in October 2025 that did not receive a CIRO response.

We highlighted in October 2025 that account transfers are a long-standing systemic issue that has allowed conflicted Firms to profit at the expense of retail investors, and that investors expect a uniform short transfer standard, visibility during the transfer, and regulatory oversight of the process. We commended CIRO for taking the file on. We say the same today.

We regret that we cannot support the republished version in its present form. The revised rules improve several things. The latest version removes the one requirement that mattered most to retail investors: **the outside time limit on how long an account transfer should take.**

Kenmar acknowledge the improvements. CIRO has prohibited Firms from conditioning account opening or maintenance on a client agreeing in advance to be contacted if they transfer out. It has imposed a one-clearing-day deadline for sending the transfer request. It has clarified the treatment of temporary holds, tightened communication requirements, and added a client notification requirement for bulk account movements. We welcome each of these. However, none of them compensates for what has been taken out.

Section references are to the proposed IDPC Rules. Comment numbers are to Appendix 1.

1. The timeline that has been deleted

The initial proposals required a transfer to be settled within 10 clearing days of the request, expressly including transfers with impediments. The blackline at Appendix 4A strikes that requirement out.

What replaces it is a sequence of individual deadlines plus a five-clearing-day settlement period that starts only once impediments have been resolved.

Everything before that point is bounded except the part that actually causes delay. The receiving Dealer must use "best efforts" to obtain the client's instructions (4857(3) (ii)). No period is specified. No consequence attaches.

A clean transfer still finishes in roughly ten clearing days. An impeded transfer now has no completion standard at all.

In our view, that is precisely backwards. Transfers that run smoothly never needed a rule. The transfers that need one are the difficult ones- non-depository-eligible positions, mutual funds outside Fundserv, segregated funds- and those are now the only transfers to which no outside limit applies. The latest rule binds where the problem is absent and relieves where the problem abounds.

2. Nobody asked for this

At Comment #64 CIRO records ten commenters - CFFiM, CIFIC, Desjardins, FAIR Canada, OBSI, Rick Price, Questrade, Steadyhand, Wealthsimple and ourselves - agreeing with the 10-clearing-day standard.

We agreed with it, but said plainly that it was not ambitious enough. Our October 2025 letter described 10 clearing days as "not totally unreasonable for now" and urged no more than three to five business days, to be shortened further as technology is acquired. We wrote that this is not rocket science. We still think so.

The OSC Investor Advisory Panel (IAP) proposed four clearing days (#63) and a one-clearing-day impediment timeline (#49). Mr. Rick Price proposed one to three clearing days within eighteen months of implementation (#62).

Not one commenter asked CIRO to delete the aggregate limit. The investor-side submissions asked for it to be tightened. *Nothing in the investor record supports the change CIRO made.*

3. CIRO's account of the change does not match the rule it has written

At Comment #42 CIRO states that it has "maintained the existing proposed pre-transfer timelines for... identifying account impediments **and obtaining client resolution instructions.**"

With all due respect, it has not. The rule sets a firm deadline for the first step only: the Dealers have two clearing days to find any impediments and tell each other (4857(1) and (2)). After that, the client need only be told "promptly" (4857(3) (i)). To get the client's instructions, the Dealer need only make best efforts (4857(3) (ii)). There is no deadline, no point at which the matter must be escalated, and no consequence if it drags on.

Either the summary in Appendix 1 is inaccurate or the rule is incomplete. CIRO should say which prior to applying for CSA approval. If the intention was in fact to maintain a timeline for obtaining client instructions, the rule should explicitly say so and state the number.

4. CIRO rejected this same reasoning elsewhere in the same document

We do not dispute the concern that led CIRO to drop the aggregate deadline: that a Firm should not be held to a fixed completion date when the delay lies with a client who has not yet given instructions. A Firm cannot force a client to respond to an enquiry. Yet three times in Appendix 1, CIRO itself rejected that argument as a reason to relax a transfer deadline.

At Comment #71 Fidelity Clearing Canada asked for extended timelines where delays are beyond a Dealer's control. CIRO replied that such delays will always exist, that the rules must still create incentives to deal with them promptly, and that exceptions for impeded transfers "of any form" do not encourage timely resolution or timely completion.

At Comment #69 the Canadian Bankers Association questioned whether 10 clearing days was feasible where impediments exist. CIRO replied that the real concern was that Firms were not meeting the existing requirements, and that this kind of non-compliance is "simply not good enough to address this important client service issue." We agree 100%.

At Comment #52 CIRO told CIFIC and iA Wealth that an advisor's wish to address client concerns and retain an account "should not take priority over the client's decision to transfer their account." We agree. A transfer left waiting for client instructions gives the advisor exactly that opportunity.

Then, at Comment #42, CIRO observed that adopting CIFIC's suggestion to start the settlement period only once impediments are resolved could mean "the incentive for dealers to encourage their clients to make timely decisions on resolving any impediments may be reduced" - and adopted it anyway, without adding a deadline, an escalation requirement or any consequence to contain that effect.

CIRO identified the risk itself, and then inexplicably wrote it into the updated rule.

5. The conflict of interest has not changed, and the rule now accommodates it

We said in October 2025 that no Firm likes to lose an account, particularly a fee-based account going to a competitor; that delay gives the Firm more time to persuade the client to stay; and that Dealers have no incentive of their own to speed transfers up. Nothing about that has changed.

Under the revised rule, the delivering Firm holds the client's assets while the clock is stopped, and the clock stays stopped until the receiving Firm obtains instructions it has no deadline to obtain. The Firm with the retention interest benefits from every day of the interval that is no longer measured.

By no means is Kenmar suggesting CIRO intends this. We are highlighting the drafting rewards it, and that a rule which depends on the good faith of the party with the least motivation to expedite is not an effective rule.

6. Late impediments restart the clock, repeatedly

Subsections 4857(4) and 4859(2) deal with impediments identified after the two-clearing-day window. Each one triggers a further client notification and a fresh five-clearing-day settlement period once instructions are received.

Identification is governed by best efforts. There is no limit on the number of impediments that may surface late, no consequence for surfacing them late, and no cap on total elapsed time. Impediments raised one at a time therefore produce settlement periods that restart one at a time, each one compliant on the face of the rule.

7. A further obligation on the delivering Firm has been quietly removed

Subsection 4856(1) (ii) (b) lets the delivering Dealer reject a transfer request where client or account information is unknown, incomplete or incorrect. Subsection 4856(3) then says who must fix the deficiency so the transfer can proceed. In the initial proposals, that duty fell on both Firms. The blackline at Appendix 4A deletes the words "delivering Dealer and the" from that provision, so the duty now falls on the receiving Dealer alone. Appendix 4B makes the same change to the mutual fund dealer rule, MFD Rule 2.12.6(c).

So the Firm that rejected the request now owes nothing toward fixing it. That Firm holds the client's account record. It is the Firm that decided the information was deficient. It is the only Firm that knows what the correct information is. Leaving the cure entirely to the receiving Firm produces exactly the inter-Firm finger-pointing that OBSI documented in its second published case study, where an estate transfer ran from mid-June to late October while two Firms blamed each other and CRA interest accumulated.

We can find no comment in Appendix 1 asking for this change and no response explaining it. The only entries touching section 4856 concern the acknowledgement requirement (#19) and the tying prohibition (#15). CIRO should restore the delivering Firm's obligation or explain on the record why it was removed.

8. Our recommendation on transfer fees was not answered

We wrote in October 2025 that Firms should waive transfer fees where the Firm fails to meet a CIRO standard settlement period, and we questioned whether an exit fee should be charged at all where the transfer is prompted by poor service, abusive complaint handling or excessive fees.

That recommendation does not appear in Appendix 1 as a distinct comment and received no response. The word "waive" does not appear anywhere in Appendix 1. We ask CIRO to address it now.

The point is straightforward. Investors lose access to their account holdings during the transfer period and are charged for the privilege, sometimes \$150 or more per account. Subsection 4864(2) obliges the delivering Firm to collect that fee within 10 clearing days of the transfer request. Under the revised rule that is one of only three deadlines in Part B.1 still measured from the transfer request - the others being an intermediate dealer step (4856(2)) and the settlement of interest and dividend balances between the two Firms (4861). There is no longer any deadline, measured from the request, for getting the client access to their assets.

A rule that guarantees the Firm its exit fee on a fixed timetable while guaranteeing the client nothing is indefensible. At minimum, where a transfer is materially delayed by Firm error, a systems or operational failure within the Firm's control, or a failure to meet a prescribed obligation, the transfer-out fee should be waived.

We note that financial penalties were proposed by four commenters (#119, Anonymous, MICA, the Panel and Mr. Price) and that the Panel and Mr. Price proposed penalties be paid to affected clients (#120). CIRO deferred both pending an assessment of whether the new framework improves efficiency. That deferral was premised on a settlement standard that has since been removed.

9. Drafting defects requiring correction

Subsection 4857(2). The provision requires the *receiving* Dealer to identify impediments and then states that "the delivering Dealer must send a notification to

the delivering Dealer.” The same party is both sender and recipient, and the Firm that found the impediment has no notification duty at all. Appendix 4A shows this is newly inserted text; the initial proposals required the receiving Dealer to notify the delivering Dealer. The error now appears in Appendices 2A, 3C, 4A and 4B and should be corrected in all four.

Subsection 4864(3). This provides that a Firm that deducts the transfer fee late is in breach of subsection 4859(1). That cross-reference made sense when 4859(1) required settlement within 10 clearing days of the transfer request, the same window in which the fee must be collected under 4864(2). The 10-clearing-day settlement requirement has since been removed from 4859(1), but section 4864 was not updated to match. CIRO should confirm whether the cross-reference still has any effect and, if it does not, correct it.

Section 4871. Under Appendix 2A, the IDPC clean copy, clients get the 30-day notice of a bulk movement only if the receiving Dealer Member must collect new account opening documents from them under Rule 3200, Part B. Under Appendix 3C, every client in a bulk movement gets the notice. These are two different rules, and they reach very different numbers of clients. Under the Appendix 2A version, a client whose account moves without new paperwork, for example between affiliated Firms, would hear nothing and would not learn that they can take the account elsewhere. We return to this in section 10. CIRO should say which version it intends, and should choose the Appendix 3C version. A client needs to be informed because their account is being moved, not because the new Firm has paperwork to complete.

Subsection 4801(1). The Part B.2 range in Appendix 2A still reads “sections 4870 to 4872” although Part B.2 now runs to 4873. Appendix 3C has been corrected; the IDPC clean copy has not.

10. Bulk account movements

Part B.2 has had far less scrutiny than Part B.1, and it deserves more. A bulk account movement is the one case where a retail client’s account changes Firms without the client asking for it. Four short sections govern it.

We support the new 30-day notice in section 4871. Appendix 1 records at Comment #83 that it came from CIFIC’s request for clearer bulk movement standards. It is a genuine improvement on a Part that previously said nothing to clients at all. It does not finish the job.

The client’s authority is not in the definition. Section 4870 defines a bulk account movement as the movement of a group of client accounts “at the request of or with the authority of one of the firms involved.” Section 4851 defines a client-initiated transfer as one made “at the request of or with the authority of the client.” The difference is deliberate. In Part B.2 the client is what is being moved, not someone doing the moving. That is commercial reality, and we do not ask CIRO to

pretend otherwise. It is the reason the client-facing provisions in this Part need to be stronger than they are, not weaker.

The notice obligation is conditional, and the two versions of the rule contradict each other. As noted in section 9, Appendix 2A limits the 30-day notice to movements where the receiving Dealer Member must obtain account opening documentation under Rule 3200, Part B. Appendix 3C applies it to every bulk account movement. On the Appendix 2A wording, a client moved between affiliated Firms, or in any case where fresh documentation is not needed, is told nothing and is not informed of the option to go elsewhere. The client's interest in knowing comes from the account being moved. It has nothing to do with the receiving Firm's paperwork. CIRO should adopt the unqualified version.

The opt-out fails the clients who most need it. The notice under section 4871 must be given at least 30 days before the accounts move, and clause 4871(1) (ii) requires it to tell the client they may transfer to a Firm of their own choosing instead. Doing so means starting a client-initiated transfer under Part B.1- the process from which the aggregate deadline has just been removed. To avoid being moved, the client must complete that transfer within the 30-day notice period. A client holding only liquid positions that move electronically through ATON can usually do so. A client holding GICs, segregated funds or client name positions cannot count on completing it within 30 days, or within any set time, because nothing in the revised rules says when it must end. Those clients will be moved to the receiving Firm anyway and will then have to transfer out of a Firm they never chose, under a rule with no completion standard. CIRO has not addressed how a 30-day notice period in Part B.2 can work alongside a Part B.1 transfer process with no end date.

Notice is not consent, and the rule says nothing about how notice is given. A client who does not respond is moved. Section 4871(1) prescribes three items of content and is silent on form, delivery method, prominence, and whether the notice may be buried in routine account mail. If silence is taken as acceptance, the adequacy of the notice is the entire protection. CIRO should prescribe delivery and prominence standards, or at least commit that it will address them in Guidance before these rules take effect.

The interim arrangement is left open-ended. Clause 4871(1)(iii) has the receiving Dealer Member assume the previous Firm's responsibilities under the account agreement the client made with the previous Firm, from the assumption date until all Rule 3200, Part B documentation is complete. During that period the client is governed by an agreement made with a Firm they no longer deal with, administered by a Firm they did not pick, on documentation that is incomplete by definition. The client is told the arrangement exists. The client is not told how long it will last, because the rule sets no limit on it.

The exemption driving this whole Part is discretionary, uncapped and unpublished. Section 4873 lets CIRO exempt a Dealer from account opening completion timelines where it is receiving a significant number of accounts. No

maximum period is prescribed. At Comment #88 CIRO says staff “routinely consider the types of accounts involved in any exemption request... and, if so, the length of time given to collect the new account documentation.” That is case-by-case discretion without a published standard, and the clients concerned are never told that relief was sought, let alone granted.

At Comments #85 and #86 the Canadian Bankers Association and SIMA asked for the delivering Firm to have a role in the exemption process, partly to ensure clients have valid agreements during the transition. CIRO declined, noting that not all bulk movements are amicable. That is a fair answer to the Firms. It is no answer to the clients. The only client protection in the process is clause 4873(2)(ii) — CIRO’s own satisfaction that relief “would not prejudice the interests of the Dealer’s clients” — applied on a record no client sees, with no reasons published. CIRO should set a maximum exemption period and publish the relief it grants, with the period allowed and the number of accounts affected.

Prompt movement is owed to the regulator, not to the client. Section 4872 requires all Firms involved to “engage in active collaboration and make reasonable efforts to ensure the prompt movement of accounts,” with four process obligations attached. No period applies to any of them. The only visible consequence of falling short is that CIRO may refuse the documentation relief the receiving Firm wants, under clause 4873(2) (i). Prompt movement is therefore a condition of a benefit the Firm is seeking rather than a duty owed to the client. We make the same criticism of Part B.1, but it bites harder here, because in a bulk movement the client did not ask to be in the process at all.

Clients of standalone mutual fund Dealers are outside the Part entirely. At Comment #89 CIRO explains that MFD Rule 2.12 contains no bulk transfer provisions because MFD Rule 2.2.2(b) prescribes no standard documentation completion period, and at Comment #87 it confirms these rules reach only investment dealers and dual-registered Firms. Clients of standalone mutual fund Dealers get no minimum notice, no statement of their option to go elsewhere, and no interim agreement provision. Harmonization across dealer categories is a stated objective of this project. This is a conspicuous place where it has not been pursued, and CIRO should close the gap or explain why.

Finally, the Notice does not tell the client why the movement is happening. Our October 2025 letter listed the wish to stay with an advisor who has moved Firms among the common reasons investors change Dealers. At Comment #97 PEAK recommended that financial incentives paid to advisors who move Firms be disclosed to clients, and CIRO declined on scope grounds. Where a bulk movement follows an advisor’s move, the client learns the date and their right to leave, but not that someone was paid to relocate their account. CIRO should at least confirm whether it regards the existing conflict-of-interest disclosure requirements as sufficient and CFR compliant in that situation.

We note CIRO’s own description at Comment #88, that the bulk movement rules “were introduced for the sole purpose of granting firms additional time” to collect

documentation. We take CIRO at its word, and it explains the shape of Part B.2: a Part built to give Firms relief, to which client-facing content has now been added because one commenter asked. The addition is welcome. It should be finished.

11. Three recommendations from our October 2025 letter that remain outstanding

Three of our earlier recommendations were noted rather than adopted. Each bears directly on the gap created by removing the aggregate deadline, and we repeat them here.

- (a) Where an account cannot transfer in full, the holdings that can be transferred should be transferred immediately rather than held pending resolution of the remainder. This is the single most effective way to limit investor harm from impediments. It would also substantially reduce the practical consequence of the missing completion standard, since the client would retain access to the bulk of their portfolio while the difficult positions are worked out.
- (b) Incumbent Firms should be required to provide progress reports to departing clients. The CIRO White Paper contemplates real-time tracking for receiving Firms. The client who initiated the transfer should not be the last to know where it stands, particularly now that no outside deadline tells them when it must end.
- (c) A lengthy account transfer should be treated as a reportable complaint rather than a service complaint, and clients dissatisfied with a transfer should have clear access to OBSI. Transfer delay is now the fourth most common investment issue in OBSI's caseload; the complaint-reporting framework should reflect that.

12. Measurement

"When you can measure what you are speaking about, and express it in numbers, you know something about it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind; it may be the beginning of knowledge, but you have scarcely, in your thoughts advanced to the stage of science." — Lord Kelvin

CIRO rates the near-term impact on clients as "minor positive" and the longer-term impact as "positive." No baseline is published, no metric is identified, and no commitment to post-implementation evaluation is provided.

The available evidence points the other way. OBSI's 2025 Annual report records 73 transfer-delay cases opened in 2025- 11% of the 672 investment cases opened that year, and a 97% increase over 2024 (Annual Report 2025, p. 46). Total investment cases opened rose 3% over the same period. Transfer delay is now the fastest-growing investment issue of any material volume in OBSI's caseload and

ranks fourth overall, effectively level with investment suitability. The Ombudsman's own message records a record number of investment complaints in 2025, with fewer suitability complaints and more about service, transfer delays, fee disclosure and crypto fraud.

At Comment #117 Wealthsimple proposed that Firms be required to publish transfer service levels. CIRO declined for now, on the basis that delay can involve both Firms and sometimes the client. That is a reason to measure each phase separately, not a reason to measure nothing. It is also the same argument being used twice: client responsiveness is why the deadline has gone, and why Firm performance will not be published.

"What gets measured, gets done."—Jack Welch

We request CIRO to collect and publish, by Dealer Member:

- total elapsed time from client authorization to settlement;
- elapsed time by transfer phase;
- the proportion of transfers involving impediments;
- time spent awaiting client instructions;
- the frequency of late-identified impediments; and
- completion-time distributions.

Summary and Conclusion

The initial proposal gave investors something they could rely on: a transfer settled within 10 clearing days of the request, whatever went wrong. Industry said that was not feasible. CIRO twice told industry that infeasibility was not an answer, and then--- removed the standard.

There is a proportionate way to address the legitimate concern. Restore the aggregate 10-clearing-day requirement and allow the clock to be paused for documented periods of delay demonstrably outside the control of both Firms — client non-response to a properly delivered impediment notice being the obvious case. The exception should be narrow, documented, and limited to the actual period of uncontrollable delay. It should pause the clock, not abolish it. A Firm relying on it should record the date the client was notified, the date instructions were received, and the basis for the claim, which also produces the core data CIRO needs for section 12. This approach was used by the AMF complaint rule in setting 60 calendar days as the baseline for dealer responses to complaints while allowing for extraordinary cases.

We would prefer the period to run from client authorization rather than from receipt of the request, so that transmission time is captured, and we continue to believe the standard should fall below ten business days as automation is implemented.

Accordingly, Kenmar recommends that CIRO:

- restore the 10-clearing-day aggregate settlement standard, subject only to a narrow, documented pause for delay demonstrably outside both Firms' control;
- require the transfer-out fee to be waived where a transfer is materially delayed by Firm error, a systems or operational failure within the Firm's control, or a failure to meet a prescribed obligation;
- restore the delivering Firm's obligation under subsection 4856(3) to help cure a transfer request it rejected, or explain on the record why it was deleted;
- require that transferable holdings be moved immediately where other holdings are impeded;
- correct the drafting defects in section 9, in particular the sender-recipient error in subsection 4857(2) and the inconsistency between the two versions of section 4871;
- reconcile its description at Comment #42 with the operative text of subsection 4857(3); and
- in Part B.2, adopt the unqualified notice obligation, cap the section 4873 exemption period, publish the relief it grants, and make prompt movement a duty owed to the client rather than a condition of relief the Firm is seeking; and
- commit to publishing transfer completion data and to a public review one year after implementation.

We recommend that CISO publish an updated Guide for retail investors on account transfers when the new rules come into force.

Kenmar recommend that CISO consider OBSI practices, standards and determinations in finalizing account transfer rulemaking. Complaint resolution typically points to root cause failure mechanisms. <https://www.obsi.ca/en/how-we-work/our-approaches/investment-account-transfer-delays/>

Finally, Kenmar request that CISO commit to a public review one year after implementation. A dated review reinforces the need for accountability and keeps the pressure on to deliver measurable results rather than just monitoring activity.

Investors have waited a long time for regulators to take this file seriously, and CISO deserves credit for taking the challenge on. **The work should not conclude by removing the only number in the rule that a retail client could have held a Firm to.**

This initiative is a positive step forward. It will increase client satisfaction and increase investor trust in the financial services industry. We urge CISO to proceed with enthusiasm and speed.

We take this opportunity to express our concern that other CISO priorities such as the work on advisor incorporation and predictive markets will sideline implementation of this important investor protection.

Kenmar Associates plans to continue to actively participate in the policy discussion and urges CISO to place investor protection, market integrity, and the public interest at the centre of any future decisions regarding account transfers.

Please feel free to contact us if there are any questions related to this Comment letter.

We sincerely hope our comments are useful to CISO and the CSA in assessing the proposed rules.

K Kivenko, President
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